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STATE FOR EUR/WE, EUR/PRA, NP/ECNP, PM/DTCP, PM/RSAT,
INR/SPM

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TAGS: [ETTC](#) [EIND](#) [PARM](#) [PREL](#) [IT](#) [IR](#) [EXPORT CONTROLS](#)

SUBJECT: U.S.-ITALY EXPORT CONTROL TALKS: EMBASSY THOUGHTS
ON THE AGENDA

REF: A. ROME 1928

[B](#). ROME 1594

[C](#). ROME 776

[D](#). 03 ROME 3842

Classified By: DCM Emil Skodon for reasons 1.5 (a) (b) and (d)

1. (S) Summary. The June 23 U.S.-Italy export control talks in Rome provide an important opportunity to encourage the GOI to address more flexibly the control of troublesome exports that do not fall clearly under any multilateral regime, such as the export of Italian fast boats to Iran. The GOI long claimed it was legally constrained from halting such exports, but recently has discovered some creative flexibility. This more constructive approach appears tenuous, however, and backsliding remains a strong possibility. Embassy recommends that the U.S. delegation take advantage of the talks to engage the GOI in a frank discussion of our continued concerns, pressing for greater clarity on how the GOI can address gray area exports to regions of concern. Our bilateral discussions will also include an update from Alenia Spazio on its most recent interest in pursuing projects with China. The talks also will enable us to gauge GOI interest in pursuing a bilateral agreement on remote sensing, as discussed during last year's talks (ref D). We understand Washington is also interested in raising the Joint Strike Fighter program, as well as the EU China arms embargo, though the expected composition of the GOI delegation may inhibit any in-depth discussion of either topic. End summary.

Sensitive Exports to Iran - Seizing the Opportunity

2. (S) Embassy believes the U.S. delegation should strongly encourage GOI implementation of a permanent, flexible approach to controlling problematic exports that do not fall clearly under a multilateral control regime. Regarding FB Design's contract to export fast boats and related equipment to Iran, the Italians found an ad hoc way to block the last of 12 boat deliveries late in the game (ref C), although there is some question whether even that measure remains fully in effect. It is not at all certain that the GOI has found a long-term solution to the problems caused by such worrisome dual use exports, and we may face similar difficulty the next time a "gray area" export to a state of concern arises. We thus recommend that the U.S. delegation lay out our continued concerns directly in the course of our upcoming discussions.

3. (S) We believe MFA nonproliferation coordinator Carlo Tripepi would be more open than his predecessor (Ugo de Mohr) towards a more flexible interpretation of Italian export control laws and regulations. (It could prove helpful that Tripepi assumed his position subsequent to the fast boats exports to Iran - the most recent GOI efforts to curtail these exports apparently did not involve the MFA). However, in raising this issue with Tripepi and his colleagues on the GOI interagency Consultative Committee on Dual-Use Goods Exports, we need to make clear exactly what we want the GOI to do. The Italians say they have developed an export control system that is fully consistent with EU norms and practices, and fully abides by all the multilateral control regimes. Tripepi also told us during the recent INR briefing on fast boats (ref B) that the GOI interagency dual-use committee was considering a permanent mechanism to control future exports of items that do not fall clearly under current Italian dual-use regulations. The U.S. delegation should encourage those efforts, and try to get the GOI to be more specific.

4. (S) One potentially fruitful approach would be to underscore the methods by which other EU member states more effectively control certain dual-use exports, including items

that do not fall under a multilateral regime. This approach was used to some extent in the course of the recent INR briefing, and our interlocutors seemed receptive to following examples already set by some of their EU partners.

5. (S) Embassy also recommends that Washington experts

continue development of a matrix of the Italian export control system. In the course of "Globalization/Declaration of Principles" talks in Italy in January 2004, officials from PM/DTC, PM/RSAT, and NP/ECNP all participated in an "Export Control Working Group" which focused on creating such a matrix -- the first systematic attempt to analyze Italian controls thoroughly that we've ever seen. Such a matrix might provide the analytic framework for talking to the Italians about improving their system, and could be the starting point for a constructive discussion with the GOI of lessons learned from the fast boats case. Failing to take such a systemic approach -- starting with the June 23 bilateral talks -- means the next time a problem case arises, we will simply be back in the mode of talking past each other, with little positive effect.

Alenia Spazio -- China and Cosmo Skymed

16. (S) Alenia Spazio (AS) CEO Maurizio Tucci and Director General Carlo Penazzi told emboffs May 13 (ref A) that contacts between the company and Chinese space officials over the last six months had revealed several potential areas of further cooperation. Tucci also passed to Ecmin a "company confidential memo" providing information on Alenia Spazio's

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activity with the Chinese Academy for Space Technology (CAST) and the Shanghai Academy for Space Technology (SAST). The document focuses on the company's interest in the technical and operational aspects of potential cooperation in the following three areas:

- Telecommunications, including on-board telecommunication equipment;
- Manned infrastructure, including in the areas of shielding from micrometeoroids and debris; design and welding procedures for pressurized structures; and thermal controls for modules; and
- Scientific satellites and moon exploration, particularly with regard to satellites studying the effect of solar activity on the earth's atmosphere.

AS continues to look to China as an important element in reinvigorating the company's operations, though it appears in the near term that there may be fewer commercial prospects there for AS than was the case last summer. We expect to hear further details on AS discussions with China at the June 23 discussions.

17. (S) During bilateral discussions last year (ref D), the GOI expressed strong interest in pursuing a USG-GOI agreement on remote sensing projects, such as the Cosmo Skymed project led by Alenia Spazio. Since then, however, the GOI has not given us any indication of whether such interest remains. Given Alenia Spazio's lead role in the Cosmo Skymed project, we suspect the GOI may use the talks to once again push for at least the initial steps (such as a meeting of technical experts) towards reaching a potential agreement.

Other Issues

18. (S) We understand Washington is interested in raising the Joint Strike Fighter program, as well as the EU China arms embargo, during the June 23 discussion. Tripepi has told us that the interagency dual-use committee that he chairs is not a relevant player in either of these two areas. The expected composition of the GOI delegation thus may inhibit any

in-depth discussion of either topic.

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